

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-342

June 4, 1999

PUBLIC UTILITIES COMMISSION,
Inquiry into Natural Gas Competition
And Unbundling Issues

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Notice, we initiate an inquiry on issues related to competition in natural gas markets. Specifically, we seek information on interactions among natural gas local distribution companies, their customers, and competitive suppliers as a result of rate and service unbundling. Topics of this inquiry include:

- A. legal authority and timing;
- B. capacity assignment;
- C. nominating and balancing;
- D. peaking service;
- E. interruptible service;
- F. reliability;
- G. complaint resolution;
- H. default service;
- I. market structure (i.e. corporate structure, commodity pricing);
- J. standards of conduct;
- K. line extension policy;
- L. licensing and consumer protection;
- M. billing and metering;
- N. enrollment;
- O. LDC/supplier interaction; and
- P. service contracts and fees.

We will use this information to assist in establishing policies on the oversight of the natural gas industry in Maine as it moves into an increasingly competitive environment. We will also determine the manner in which those policies should be implemented, whether by order, model terms and conditions, rules, or specific legislation, and the timing of implementation.

II. BACKGROUND

The construction of two major interstate pipelines through Maine, and the development of natural gas reserves off Nova Scotia, are bringing additional natural

gas supplies to Maine and the New England region. As a consequence, increased use of natural gas is possible in all sectors of the State's economy, from gas-fired electric generation to industrial, commercial, and residential uses.

At the same time as infrastructure and resources are bringing new opportunities for the use of natural gas to the state, federal policies to deregulate certain aspects of gas service -- from commodity to ancillary services -- are working their way down to the state level and prompting far-reaching regulatory changes. It is necessary, therefore, to establish policies and a revised regulatory framework that accommodate the new market structures and competitive aspects of the evolving natural gas industry. We will begin that process by gathering information and comment from stakeholders and then using that input to analyze fundamental issues that underlie the juncture between the regulated and competitive aspects of the industry.

The regulatory changes facing the natural gas industry are similar to those currently occurring in the electric industry. An increasing number of states are working to restructure the way in which these previously fully-regulated industries function and are regulated. In 1997, the Maine Legislature comprehensively restructured the electric industry, ordering the divestiture of generation and supply from the highly vertically-integrated industry. Beginning March 1, 2000, regulated electric utilities will be responsible only for transmission and distribution-related functions, while unregulated generators and marketers will supply commodity electricity to retail customers. Customers will be able to choose their provider of generation services from a competitive market. Maine's electric restructuring effort is intended to transform generation and supply to fully-functioning, competitive markets, thus to allow consumers to benefit from lower costs, wider choice among electricity products, and reduced exposure to the costs of uneconomic investments.

Our goals in the natural gas industry are much the same. We intend to establish regulatory policies and structures that promote the conversion of certain natural gas services to healthy competition while protecting consumers, maintaining service reliability and system safety, and continuing regulatory oversight of monopoly aspects of the industry. One aspect of our task will be to determine what differences exist between the electric and natural gas industries that warrant different treatment, and to reflect those changes in our policies and structures.

As we begin this process, we recognize that: 1) there may be advantages to maintaining consistency in regulatory policy for both the electricity and gas industries within the State and 2) regional consistency may be important to promoting competition in the natural gas industry in Maine and throughout New England. Finally, the timing for implementing changes is also important both as a practical matter and as it impacts businesses and consumers who depend on natural gas.

The Maine Legislature recently enacted L.D. 661 requiring the Commission to consider the need for gas marketer licensing, codes of conduct, consumer protections, and "any other subject of natural gas unbundling that requires additional regulation."

P.L. 1999, ch. 143 (to be effective 90 days after adjournment). The legislation also requires gas marketers to register with the Commission before contracting or attempting to contract with any retail natural gas consumer in the State.¹ This Inquiry is our first step in complying with the legislative directive that we consider issues related to promoting competition in the natural gas industry.

III. GENERAL APPROACH

The task of completing and implementing restructuring policies and service terms for natural gas local distribution utilities (LDCs) raises several questions.

First, we must determine the best legal framework for making the necessary changes to the regulatory structure. We must consider whether the various changes are best addressed through new statutory provisions, rulemakings, model terms and conditions, or adversarial proceedings. We must also determine what may be achieved through existing, plenary Commission authority and whether there are areas in which change to existing structures or regulatory oversight is unnecessary.

Next, we must consider the timing for putting new provisions into effect. Maine has three authorized LDCs that are currently moving to offer unbundled services to various classes of customers. Due to time and resource constraints, we may need to resolve issues and implement policies in a staggered manner so that our considerations do not unduly hamper the evolving progression of competition into the State.

Third, we must consider the extent to which it is important to deviate from policies and unbundled service provisions that have been established in neighboring states in the region. We are inclined to defer to the results achieved through comprehensive stakeholder collaboratives in Massachusetts and New Hampshire, examining the Massachusetts rules and recently adopted model terms and conditions, as well as Department of Transportation and Energy (DTE) decisions on issues that were not successfully resolved by the Massachusetts collaborative. We will compare the Massachusetts natural gas policies to those developed in Maine for the electric industry and weigh the advantages and disadvantages of establishing natural gas policies in Maine that differ from either our electric policies or the natural gas policies of our neighboring states.

IV. TIME FRAME FOR IMPLEMENTING NATURAL GAS RESTRUCTURING

¹Gas marketers must provide the Commission with the name, mailing address, and phone number of the gas marketer and of a contact person who is knowledgeable about the gas marketer's activities in the state. 35-A M.R.S.A. § 4707. This information may be sent to: Dennis L. Keschl, Administrative Director, Public Utilities Commission, 242 State Street, S.H.S. #18, Augusta, Maine 04333, telephone (207)287-3831. A registration form is available on the Commission's website (www.state.me.us/mpuc/gassupplier.htm) or can be obtained by calling the Commission (207-287-3831).

Two LDCs -- Northern Utilities, Inc. (Northern) and CMP Natural Gas (CMP NG) -- are positioned to provide unbundled transportation and commodity service to commercial and industrial customers under tariffs approved this spring.² The Portland Natural Gas Transmission System (PNGTS) recently began providing service to Maine. The Maritimes & Northeast Pipeline, L.L.P. (MNE), as well as a third LDC, the Bangor Gas Company, L.L.P. (Bangor Gas), are preparing to begin service by the start of the upcoming winter heating season on November 1, 1999.

It appears, then, that expeditious resolution of certain unbundled service issues may be beneficial in the near term, whereas it may be possible, or even desirable, to defer certain other issues. We propose to stagger the of unbundling process to ensure that critical issues are resolved expeditiously and to defer those that are less urgent. This is necessary, in part, because of the large number of issues included in the restructuring of natural gas at the state level, the resources at hand, and procedural constraints that attend the implementation of regulatory changes. For example, the time required to complete a rulemaking or to submit legislation or rules for enactment may govern certain timing aspects.³ Prompt resolution of these issues is also important to assist, or to avoid frustrating, market and infrastructure development that is now underway. However, we intend to resolve as many issues in the near term as are necessary to allow competition to begin. We invite comment on interim or alternative measures that the Commission might adopt to avoid interference with emerging competition as we proceed with natural gas restructuring.

Our initial proposal is to implement those policies and provisions that are necessary to allow competition to progress and to remove uncertainty in the commercial and industrial sectors as soon as possible. We currently expect this first phase to include: nominating and balancing; capacity assignment; peaking, interruptible, and ancillary services; service contracts; daily metering; data transfer, fees, and interactions between LDCs and suppliers; line extension policy; commodity pricing; corporate structure and standards of conduct; and complaint resolution.

Next we propose to focus on issues that relate to providing unbundled natural gas service to residential consumers. These issues include: enrollment; default service; supplier licensing and financial viability standards; consumer protections; and consumer complaint resolution. We also contemplate deferring issues on billing and metering competition until the more pressing issues are considered.

We will consider the comments provided to us in determining how to proceed beyond this inquiry. To the extent the models provided by Massachusetts or our

²We approved CMP Natural Gas's commercial and industrial transportation service tariffs in March 1999. On May 27, 1999, we approved a stipulation including commercial and industrial transportation service tariffs in Northern Utilities, Inc., Request for Approval of Rate Design and Partial Unbundling Proposal, Docket No. 97-393.

³Under L.D. 661, natural gas unbundling rules adopted by the Commission are major substantive rules subject to review and adoption by the Legislature.

electric industry are largely adequate and fit within our statutory authority, the resolution of these issues will be expeditious. To the extent that there are conflicts or concerns with the policies that have been established in Massachusetts, or to the extent that implementation depends on external events such as the adoption of legislation or further resolutions by the Massachusetts collaborative, we will adopt policies which reflect those concerns.

We invite comment on all aspects of our proposal for restructuring the natural gas industry, as further delineated in the questions below. In the remainder of this notice, we will outline 16 issue areas and pose questions upon which we are soliciting comment.

V. ISSUES FOR COMMENT

A. Legal Authority and Timing

Before electric restructuring, the Legislature directed the Commission to conduct a study and recommend a plan for achieving retail market. Following that study, the Legislature enacted comprehensive legislation providing the general contours of electric restructuring in Maine. Since then, the Commission has conducted numerous major substantive and technical rulemakings to establish the specific provisions needed to implement the legislative plan. Stakeholder groups developed or are developing implementation and contract provisions. During 1999, the Commission will oversee utility generation divestitures, choose default providers, and establish rates for transmission and distribution utilities. Final implementation of unbundled generation and delivery is scheduled to take place March 1, 2000. There are 710,000 customers served by electric utilities statewide.

Approximately 22,000 consumers currently are natural gas customers in Maine. Two new local distribution utilities propose to begin serving new customers this year. In 1998, the Legislature gave the Commission greater authority in the regulation of natural gas utilities in the state. See 35-A M.R.S.A. §§ 4703 (cost of gas adjustment revisions for firm and non-firm customers), 4706 (authorizing alternative ratemaking mechanisms), and 4707 (stranded cost notice of risk). In addition, this session the Legislature enacted L.D. 661 (P.L. 1999, ch. 143) which requires the Commission to consider the need for rules on supplier licensing and "any other subject of natural gas unbundling that requires additional regulation." To be codified at 35-A M.R.S.A. § 4709(1)(E). These rules will be major substantive rules pursuant to title 5, chapter 375, subchapter II-A. As such, they must be reviewed and approved by the Legislature during its regular session which are held from approximately January to June each year.

Against this backdrop, we seek comment on the following questions:

1. Is any further statutory authority necessary to

authorize the Commission to comprehensively restructure the natural gas industry in Maine in a manner similar to what has been done in Massachusetts?

2. What regulatory or legal mechanisms should the Commission employ to best serve the goal of natural gas restructuring in the near term? Does the Commission have sufficient legal authority to adopt, either as an interim or a permanent measure, model terms and conditions by order in a formal investigation, rather than by rulemaking? Do timing considerations make it necessary to use a non-rulemaking process?

3. Should the Commission initiate a collaborative to develop model terms and conditions? Please indicate whether you would be interested in participating in such a collaborative.

4. Are there interim measures that the Commission should take immediately to avoid impeding market development or causing irreversible harm in the near term? Are additional mechanisms necessary in the longer term?

5. Does the staggered implementation of unbundling policies and provisions as outlined in section IV make sense in light of the current state of the natural gas industry in the region?

a. Will staggered implementation aid the transition from the current regulatory framework?

b. Which issues should be resolved in the near term and which may be deferred.

c. What should be the time frame for resolving each set of issues and what timing considerations are most important for establishing the necessary provisions? What realistic alternatives exist?

B. Capacity Assignment

On February 1, 1999, the Massachusetts DTE issued an Order establishing mandatory capacity assignment as its state policy. See Massachusetts Department of Telecommunications and Energy, Notice of Inquiry, Unbundling of

Natural Gas Local Distribution Company Services, D.T.E. 98-32-B, Order (Feb. 1, 1999).⁴ No policy has yet been established for Maine.

It appears that there are three general approaches to capacity assignment. The first is mandatory capacity assignment under which the LDC has the right to require that the customer, or the competitive supplier serving the customer,⁵ assume a share of the LDC's pipeline or storage obligation. The second is voluntary capacity assignment under which the competitive supplier is entitled to take a portion of the LDC pipeline capacity if it so chooses. The final option is to leave matters as they are today whereby capacity is not transferred among entities (i.e., neither party has a right to require the other to do anything).

The mandatory approach may be preferable if existing pipeline contracts represent potentially strandable costs. That is, costs would be stranded if the effect of competition was that the LDC remained committed to pipeline capacity which it no longer needed or could only resell at a loss. On the other hand, the voluntary alternative would be preferred if pipeline capacity constitutes a bottleneck facility, largely already committed to the LDCs, so that the only way a competitive supplier could enter the market would be to acquire pipeline capacity from an existing LDC which might wish to frustrate competition.

Commenters should address the following questions:

1. What is a likely estimate, or range of estimates, for "stranded costs" associated with pipeline capacity for Maine LDCs?
2. In Maine, are pipelines bottleneck facilities which might be used to discourage competitive suppliers?
3. How, if at all, would the answers to the above questions change for storage, rather than pipeline, facilities?
4. Is the concept of stranded (or uneconomic) costs as relevant to new gas utilities such as CMP Natural Gas and Bangor Gas as it is to the existing utility (Northern Utilities)? Should uneconomic costs be assigned solely to shareholders?
5. Should we adopt either a mandatory or voluntary capacity assignment approach? Why?

⁴See also Settlement Agreement filed by stakeholder group in D.T.E. 98-32, establishing customers to which mandatory capacity assignment is applicable.

⁵For simplicity, we will assume in the remainder of this section that the customer takes service from a competitive supplier. If the customer chooses to contract for gas directly, however, a similar analysis would apply.

6. Should we adopt a different approach to capacity assignment for new, as opposed to existing, customers?
7. What, if anything, should be done to foreclose or limit the possibility of customer migration to transportation-only service before state regulatory capacity assignment policy has been established, potentially avoiding mandatory capacity responsibility?⁶
8. If we adopt either capacity assignment approach, should the amount of capacity be related to customers' peak day use, their commodity use, or some combination of the two?
9. If we adopt either capacity assignment approach, should we determine the specific capacity to be assigned based on a "slice" of the system or a "path"?⁷
10. If we adopt either capacity assignment approach, how should the assignment change over time as LDC's pipeline entitlements change?
11. If we adopt either capacity assignment approach, should we consider it to be an interim measure which would be eliminated either with the passage of time or upon the fulfillment of certain conditions in the pipeline market?
12. What is the relationship, if any, between our policy on capacity assignment and an LDC's ability to plan and operate its system in a reliable and efficient manner? Between our policy and a supplier's ability to provide competitive, reliable gas supply?
13. Is capacity assignment an area where regional consistency is important?
14. To the extent there are stranded costs, given the legislative directive contained in 35-A M.R.S.A. § 4707, is the Commission precluded from allowing recovery of such costs?

C. Nominating and Balancing

⁶See Settlement Agreement filed by stakeholder group in D.T.E. 98-32, establishing customers to which mandatory capacity assignment is applicable.

⁷Under a "slice of system" approach, the LDC would assign a pro rata share of all its pipeline capacity. Under a "path" approach, the LDC would assign a share of a single path from a wellhead to the city gate. In discussing the path approach, please also address whether the LDC or the supplier would designate the specific path.

The Massachusetts Model Terms and Conditions contain nominating and balancing provisions in Sections 11 and 12. These provisions require that a supplier balance the aggregated receipts and usage of its customers within Aggregation Pools.⁸

1. Should nominating and balancing be the responsibility of the supplier or the customer?
2. Should nominating and balancing be done for aggregated pools of customers or for each customer individually?
3. In Massachusetts, an Aggregation Pool is composed of customers served by a single provider, within constraints. In Georgia, Aggregation Pools are established by geographic location. Which model, if either, is more appropriate for Maine? How important is regional consistency in this matter?
4. Should daily balancing be required for some, all, or no customers? If for some, which ones?
5. How should balancing be accomplished for non-daily-metered customers? Is there an appropriate algorithm for determining daily gas usage for such customers?
6. Should penalties for inadequate daily and monthly balancing be based on LDC costs or on an external index as is done in Massachusetts? Are Massachusetts' penalties adequate to maintain delivery integrity? Are they excessively strict?
7. Should imbalance trading be allowed? What provisions are appropriate?
8. What provisions should be included in a standard nomination process?

D. Peaking Service

1. Massachusetts has not yet established Model Terms and Conditions for Peaking Service (§ 16) . If known, please explain briefly why terms and conditions for this service could not be resolved in the Massachusetts collaborative. Do these reasons pose a roadblock to developing peaking service provisions in Maine?

⁸Aggregation Pools are established according to provisions in Section 24.6.

2. How is peaking service defined for unbundled customers? Is peaking service really just supplemental service offered to customers whose supplier deliveries fall short of daily usage? Please explain.

E. Interruptible Service

1. Massachusetts has not yet established its Model Terms and Conditions for interruptible distribution service (§17). If known, please explain briefly why terms and conditions for the provision of this service could not be resolved in the Massachusetts collaborative. Do these reasons pose a roadblock to developing this service in Maine?
2. Should Interruptible Distribution Service be a firm distribution service for the transportation of customers' interruptible gas supply, or should the distribution service itself be interruptible?
3. Should interruptible distribution services be priced on a cost of service or a value of service basis? If the former, please indicate which LDC costs would be included in the development of a rate. If the latter, please indicate how the "value" of the service should be determined.
4. Should customers that elect such a service also be required to install daily gas meters with telemetering capability? If not, how would the distribution company assure customer compliance with requests for interruption?
5. What penalties should be applied to customers who fail to interrupt?
6. Rather than relying on daily metering, could interruptible distribution service be offered as a "firm" service for non-peak periods of the year only (e.g. summer)?
7. Please describe any known interruptible distribution service programs that are currently in operation and that might be appropriate for use in Maine.

F. Reliability

To maintain the integrity and reliability of the supply system, the Massachusetts Model Terms and Conditions allow the LDC to declare a Critical Day (§ 19.1), issue Operational Flow Orders (OFO) (§ 19.3), and curtail service (§ 21). It is easy to understand why such actions could be necessary in emergencies. At the same time, it could be argued that these steps could, at least in theory, be taken as part of a strategy to disadvantage competitive suppliers vis a vis the LDC. For example, the LDC has fairly broad discretion in determining when an OFO is needed. Since one

effect is to require competitive suppliers to balance more precisely and to face large penalties for any imbalances, declaring an OFO allows the LDC to directly cause its competitors to incur increased costs.

1. Is this a practical, as opposed to a purely theoretical, concern?
2. Is it possible to reduce the likelihood of problems through the codes of conduct?

G. Complaint Resolution

One avenue available to a supplier who believes that the LDC is abusing its discretion would be to file a complaint with this Commission.

1. Are there other options, for instance some form of dispute resolution, which should also be incorporated?
2. Should we adopt some form of dispute resolution for any or all types of disputes between competitive suppliers and LDCs?

H. Default Service

For purposes of this inquiry, default service is the provision of gas commodity (a competitive product) to customers who do not choose a competitive provider. Under the Massachusetts Model Terms and Conditions, default service is the responsibility of the distribution utility. Under Maine's electric restructuring statute, default service (referred to as standard offer service) is provided by the winners of a Commission-sponsored bid process in which any competitive electricity provider, including unregulated utility affiliates, may participate. 35-A M.R.S.A. § 3212. The purpose of Maine's approach is to provide default service customers with low market-based rates, while placing the supply risk on unregulated default service providers.

1. Please discuss whether it would be appropriate for Maine to deviate from our electric model by designating LDCs as the providers of default supply service. What are the benefits and detriments of each approach?
2. If the LDC has responsibility for default service:
 - a. Should the service be provided through an unregulated corporate affiliate, unregulated unit or division, or part of the utility regulated operation?

- b. How should the price of commodity service for default customers (i.e., the amount the default customer pays to the LDC for commodity gas service, as opposed to transportation service) be determined?
- c. Should utilities be allowed to reconcile gas costs through a CGA-type mechanism? What are the implications of such an approach to the development of a competitive gas market?
- d. If gas costs are reconciled, what incentives exist for utilities to obtain lowest price gas for default customers? Can appropriate incentives be created?
- e. To the extent gas costs are reconciled, should default service customers, as opposed to default service providers, assume the market risk regarding future changes in gas prices? Please discuss whether this would be appropriate in a deregulated commodity gas market.
- f. If there is a significant over (under) recovery under the CGA, would customers tend to choose (avoid) default service to obtain (avoid) the over (under) recovery? If so, how could this be minimized?

I. Market Structure

1. Corporate Structure: Structural and Functional Separations

Maine's electric restructuring law allows T&D utilities to market electricity only through separate unregulated affiliated corporate entities. Massachusetts does not have such a requirement for LDCs and allows LDCs to market natural gas through a separate unit or division within the corporation.

- a. Please discuss the benefits and detriments of a corporate separation requirement.
- b. Would a corporate separation requirement negate the benefits of regional consistency and impede entry into Maine's market?
- c. If corporate separation is not required, what additional or alternative safeguards would be necessary?

J. Standards of Conduct

The Massachusetts DTE has adopted standards of conduct governing the interactions among gas and electric distribution utilities and their unregulated marketing

affiliates.⁹ 220 CMR 12.00. The Maine electric restructuring legislation contains a comprehensive standard of conduct applicable to distribution utilities and their affiliated competitive providers. 35-A M.R.S.A. § 3205 (copy attached). The Maine Commission has adopted rules implementing the statutory standards of conduct. Chapter 304.¹⁰ Except as indicated below, the Massachusetts and Maine standards appear substantially similar in almost every respect.

The Maine standards have the following provisions that are not included in the Massachusetts rule:

- utility employees may not share with affiliated or non-affiliated providers market information acquired from other providers or developed as a result of providing distribution service. 35-A M.R.S.A. § 3205(3)(G).
- utilities must keep a log of all requests for information made by affiliated and non-affiliated providers. 35-A M.R.S.A. § 3205(3)(H).
- utilities are required to maintain in a public place written procedures implementing standards. 35-A M.R.S.A. § 3205(3)(P).

The Massachusetts standards contain the following additional provisions:

- rules shall not be construed to confer immunity from antitrust laws. Sec. 12.03(19).
- utilities shall, in emergency circumstances, take all actions necessary to ensure public safety and system reliability. Sec. 12.03(20).

The standards of conduct also differ with respect to penalties. Massachusetts has a general provision regarding wanton or willful violations, sec. 12.03(17), while Maine's statute provides for divestiture of the affiliated provider, disgorgement of profits, and monetary fines up to \$100,000 per violation.

Our current view is that Maine should adopt standards of conduct to govern the relationship between LDCs and affiliated natural gas marketers.

1. Please discuss whether there are any reasons why Maine should not adopt standards of conduct.

⁹The Massachusetts rule defines marketing affiliate to include a unit or division within the distribution utility or its parent.

¹⁰The rule and the order adopting the rule are available on the Gas Provider Information portion of the Commission's web site:
www.state.me.us/mpuc/gassupplier.htm.

2. Please discuss whether Maine should adopt the Massachusetts standard as its model. If so, what modifications to these standards, if any, would be necessary or desirable?
3. Please discuss whether there are reasons to adopt Maine's electric standards (as implemented in Chapter 304) as applicable to the gas industry. If so, what modifications, if any, would be necessary or desirable?
4. The Commission's rule implementing Maine's electric standards (Chapter 304) precludes use by the affiliated provider of the same or substantially similar name or logo as the distribution utility. Please discuss whether this policy should be applied to the natural gas industry. Are there any reasons to treat use of the utility name differently in the gas industry than in the electric industry?
5. Chapter 304(3)(L) contains several provisions clarifying the employee separation requirements. These include requiring separate buildings and separate telecommunications and computer systems, and defining when employees are considered shared. Please discuss whether such provisions should be included in the gas industry standards.
6. Are potential market abuses increased by allowing LDCs to provide default service as part of their regulated operations and also have an unregulated marketing affiliate? If so, should additional protections be adopted to guard against such abuses?
7. Section 6 of Chapter 304 provides for periodic audits of utilities to ensure compliance with the standards. Please discuss whether a similar provision should be incorporated to the gas industry standards.

K. Line Extension Policy

Line extension policies may be based on the contribution to margins (or profits) which can be reasonably expected from the addition of the new customer(s) served by the line extension without regard to whether the margins result from transportation or commodity sales. The current policies could be interpreted to suggest that an LDC might ask for a smaller contribution from a customer who buys commodity gas from the LDC, than from a transportation-only customer.

1. Is it reasonable to adopt a policy under which the line extension contribution is independent of whether the customer will be purchasing commodity service from the LDC?

2. What changes, if any, should we make to the current line extension tariffs as a result of restructuring?

L. Licensing and Consumer Protection

Under Maine's electric model, licensing requirements are less stringent (e.g., no bond requirement) if providers do not serve residential or small commercial customers. Additionally, Maine's consumer protection requirements only apply to providers serving residential and small commercial customers. 35-A M.R.S.A. § 3203; Chapter 305 of Commission Rules.¹¹

1. If it is determined that retail competition will occur later for residential customers than for other customers, please discuss whether there is any need for licensing requirements beyond the statutory registration requirement at this time.

2. Please discuss the type of licensing and consumer protection requirements that would be necessary or desirable when suppliers serve residential customers.

3. Should the content or format of gas supply bills for small customers be subject to consumer-protection requirements as is the case in Maine's electricity industry?¹²

4. Maine's electric restructuring legislation prohibits utilities from disconnecting customers for the nonpayment of competitive provider bills. Should a similar prohibition be adopted for the gas industry?

5. As a condition of licensing, should suppliers be required to file with the Commission generally available rates, terms and conditions, and average prices?

6. Chapter 305 contains detailed provisions to prevent slamming. Should similar provisions be adopted for the gas industry?

7. Maine's electric statute requires aggregators and brokers to be licensed as competitive electricity providers. However, the licensing requirements for such entities under Chapter 305 are less stringent than those for entities that have direct sales relationships with retail customers. In the gas industry, should the Commission license aggregators and brokers? If so, what should be the nature of the licensing requirements?

¹¹The rule and the order adopting the rule are available on the Commission's web site, www.state.me.us/mpuc/.

¹²See Chapter 305 and Chapter 322 of the Commission's Rules.

M. Billing and Metering

In Massachusetts, the model for billing and metering is similar to Maine's electric model. LDCs are solely responsible for owning, installing, maintaining and reading meters. Two billing options exist: 1) "complete billing" under which the LDC bills the customer for both delivery and commodity sales, and 2) "pass-through billing" under which the LDC bills for delivery but the supplier bills for commodity sales.¹³ However, unlike Maine's electric model, all transportation customers are required to use and pay for a daily meter (i.e. telemeter). We are inclined to support Massachusetts's approach.

1. Is the requirement that transportation customers use and pay for a daily meter appropriate for Maine? If not, how would a supplier's daily supply obligation be determined?
2. Should entities other than the LDC be allowed to own, install, maintain, or read meters?
3. Should Maine open billing and metering to full competition? If so, is it reasonable to follow Maine's electricity model, whereby competition is deferred for a few years until the commodity market has become established?
4. Should Maine adopt the Massachusetts billing model, whereby transportation customers are billed under either "complete billing" or "passthrough billing"?
5. Under the complete billing option, what rate structures should LDCs be required to support?

N. Enrollment

In Massachusetts, the procedure for enrolling customers for commodity gas service is similar to Maine's electric model in most respects. Customers enroll for gas supply by signing up with a supplier, not by notifying the LDC. Enrollments generally occur at the time of a normal meter read. Suppliers must obtain prescribed customer authorization. Certain prescribed time frames determine the timing of enrollment action. We are inclined to support Massachusetts's approach.

1. Please discuss areas in which Maine's enrollment procedures should be similar to or different from those in Massachusetts. Please discuss the extent to which a customer should be allowed to change suppliers on a day other than the normal meter read date.

¹³In Maine's electricity industry, these two options are called "consolidated utility billing" and "provider billing."

O. LDC/Supplier Interaction

1. In Maine's electricity market, a statewide group developed procedures, electronic protocols, and data formats to be used in all data transfer among delivery and commodity suppliers. The procedures considered regional consistency, speed, and security. Should a consistent statewide (or a region-wide) method be prescribed for data exchange between suppliers and LDCs? Is a different method appropriate before unbundling is available to residential customers than after?
2. What method should LDCs use to post information that suppliers need on a real-time basis? Is a website such as Massachusetts uses or an electronic bulletin board such as Georgia uses adequate?
3. Should service contracts between LDCs and suppliers conform to a standardized contract form? Should a stakeholder group develop the standardized form?
4. In Maine's electric model, utilities must provide certain basic metering, billing, and enrollment services for suppliers. Utilities may charge suppliers a fee for certain prescribed and optional services. What services should the LDC be required to provide to commodity suppliers? Should fees for such services be charged?

VI. INQUIRY SCHEDULE

Interested persons may participate in this inquiry by filing a letter stating their interest in this proceeding no later than **June 15, 1999**. The letter should be addressed to Dennis L. Keschl, Administrative Director and include the docket number, Docket No. 99- 342. We request that interested persons indicate their willingness to be served electronically. Other interested persons would then have the option to serve their comments to willing parties through electronic means. Filings at the Commission, however, may not be through electronic means. The Commission will then issue a service list.

All subsequent filings should be served to all interested parties on the service list. Interested persons may file comments on the questions and issues raised by this inquiry by **July 2, 1999**. Commenters are free to suggest any other issues or observations they would like the Commission and other stakeholders to consider. Please also indicate whether you are interested in participating in a collaborative to develop model terms and conditions. We are tentatively reserving **July 15 and 16** for a meeting with interested persons to discuss comments received on inquiry subjects, if warranted. We will announce the agenda and confirm the time and place for these conferences in advance of the technical conference dates.

Dated at Augusta, Maine, this 4th day of June, 1999.

BY ORDER OF THE COMMISSION

Raymond Robichaud
Assistant Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

This document has been designated for publication.